



Valuing Children and Work: Opportunities in the State Budget to Improve Access to High-Quality Child Care

The 2018 federal budget recently passed by Congress and signed by the President includes the largest single increase in funding for child care through the Child Care Development Block Grant (CCDBG), with Michigan expected to receive at least an additional \$65 million. With this new federal funding, the Michigan Legislature has an unprecedented opportunity to improve access to high-quality child care—something the state desperately needs to do to ensure that all parents can afford to work to support their families while their children are given the foundation needed to succeed in school.

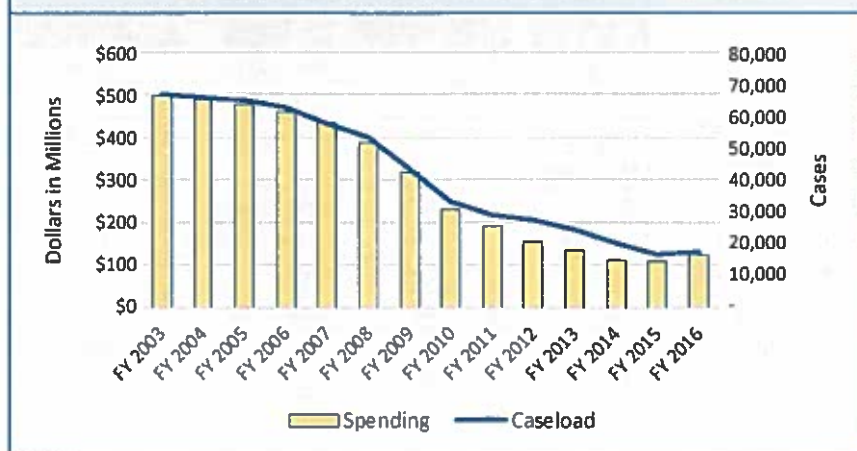
The [League has documented](#) weaknesses in Michigan's Child Development and Care (CDC) program that have led to huge declines in the number of families receiving help as they struggle with high child care costs, as well as the amount of support coming in to communities to support local economies.

High-quality child care remains unaffordable for many parents with low or moderate wages. The average cost of care for one infant in a licensed child care center in Michigan exceeds \$10,000 a year, dropping only to \$7,300 for a 4-year-old—way out of reach for many parents and particularly those with two or more children. In the Midwest, annual child care expenses for two children (\$19,728) exceed housing costs (\$17,188), and rival the cost of a college education.¹

Eligibility levels are so low that few families are able to get child care assistance. Because of Michigan's restrictive income eligibility threshold, the number of families receiving a child care subsidy in Michigan has dropped dramatically, along with funding to communities.

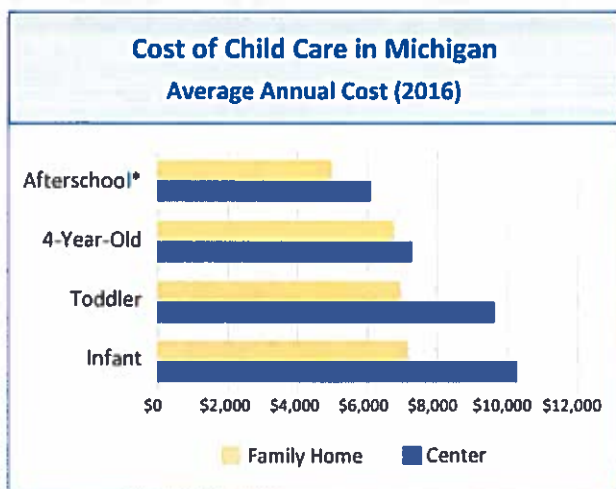
There is an insufficient supply of high-quality child care in many areas of the state and for families needing infant care, off-hours care or care for children with special needs.

The Number of Families Receiving Child Care Assistance Has Dropped Steeply Along With Funding to Communities



Source: Michigan Department of Health and Human Services

- With low state reimbursements, it can be difficult for providers to accept children who receive subsidies and still cover their costs.
- Michigan has not adopted business practices that encourage providers to accept children receiving subsidies.
- Low rates for providers reduce the quality of child care because providers find it difficult to attract and retain highly qualified staff.
- Despite the need, Michigan has not invested sufficiently in strategies to build the supply of care for underserved areas and populations.



There is a clear path to improving Michigan’s child care system—changes that will help parents work, give children the opportunity to succeed in school and boost local economies. With the infusion of new federal funding, Michigan has the opportunity to pursue—at no state cost—significant improvements in its child care system.

RECOMMENDATIONS

Continue to increase Michigan’s income eligibility threshold for child care with a goal of reaching at least 200% of poverty. The CCDBG allows states to set their own income eligibility limits, as long as family income does not exceed 85% of the state’s median income. At 38% of median income, Michigan’s income eligibility threshold falls far below the federal cap, and was second lowest in the nation in 2017.

Over the last several years, Michigan lawmakers increased the “entry” child care income eligibility threshold from 120% of poverty to 130%. This incremental change is an important step in the right direction, but too few families are receiving assistance and Michigan remains among the lowest states in the country in its eligibility threshold. To comply with federal requirements, Michigan also increased its “exit” eligibility level to 250% of poverty to allow families to earn more without losing the child care assistance they need. However, families must first be eligible for child care at the “entry” eligibility level of only 130% of poverty.

Continue to increase child care provider payment rates to ultimately reach the 75th percentile of market rate. Low pay for child care providers is a barrier to both access and quality. Low reimbursement rates make it difficult for providers to improve the quality of care they provide, including hiring and retaining qualified child care staff, and maintaining their facilities to meet health and safety requirements. In the end, low rates can force child care providers to make business decisions to not serve families who are receiving state subsidies.

Michigan has made progress in recent years by increasing rates for providers based on the quality of care they provide, but the state still falls short of the federal standard that parents receiving a child care subsidy should be able to afford at least 75% of the care in their market area. In 2017, child care center rates for infants and toddlers in Michigan fell 19% below the 2015 market rate, while rates for 4-year-olds were 32% below.² Michigan is currently undertaking a new market rate survey that can help in setting appropriate rates.

Improve child care business practices by moving away from hourly payments for the child care subsidy. Child care providers have indicated that state payment policies don’t align with how they bill other families and are a disincentive to serve children with state subsidies. The federal CCDBG reauthorization requires states to adopt standard business practices, and most child care providers bill for a half-day or full-day of care on at least a weekly basis—rather than hourly.

Child Care Eligibility as Percent Median Income 2017			
Bottom 10		Top Ten	
Maryland	33%	Mississippi	86%
Michigan	38%	Vermont	85%
Virginia*	38%	Tennessee	85%
Nebraska	40%	Maine	83%
Ohio	40%	New Mexico	78%
Indiana	42%	North Carolina	68%
Iowa	43%	Alaska	67%
New Jersey	44%	Oklahoma	63%
Colorado*	45%	Hawaii	63%
Illinois	45%	Texas*	62%

*State reports a range; data represents bottom of range
Source: National Women’s Law Center

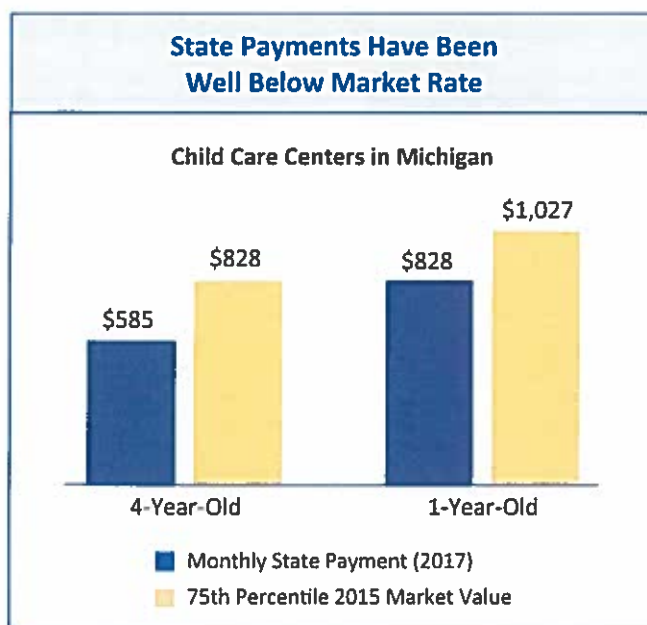
Increase the supply of high-quality child care in underserved areas or for underserved families through the use of contracts and grants. Severe shortages of high-quality child care exist in many areas of the state—particularly for parents who work evenings, weekends or with uncertain schedules; parents seeking care for infants or children with special needs; or care for children who are homeless or in the state’s child welfare system.

Michigan currently lacks a comprehensive, long-term approach to increasing the supply of high-quality child care for underserved populations and areas of the state. Like most other states, Michigan pays more for infants and toddlers in child care, but falls short of meeting the higher cost of caring for very young children, which consequently contributes to a short supply of infant care.

Thirty states are now using or exploring contracts and grants to purchase slots—a strategy for building the supply of high-quality child care in underserved areas or for specific populations.³ Contracts can help stabilize the child care market and provide incentives to increase supply. In some states, contracts and grants are connected to providers’ ratings in their state’s quality rating and improvement systems.

Examples of state contracts to increase supply include Alabama that offers contracts to high-quality child care programs to increase slots for infants and toddlers, Arizona that contracts with providers who will offer 24 hour or weekend care, Colorado that provides micro-grants for start-up funds for child care programs in “child care deserts,” and Massachusetts that contracts with providers to serve families in the child welfare system.

Continue social-emotional consultation services for child care providers to help them respond to young children with high needs and to prevent child care expulsions. Under Michigan’s Race to the Top—Early Learning Challenge (RTT-ELC) grant, Michigan engaged social-emotional coaches/consultants to assist and train home and center-based child care providers to meet young children’s needs and avoid expulsion from child care programs. This approach is based on a Michigan



Source: National Women's Law Center

program—the Child Care Enhancement Program—that was eliminated during a budget crisis despite having both national recognition and solid evaluation. Funding for the RTT-ELC runs out in December of 2018, so continuation of the current program would require enough funding to cover nine months of the 2019 budget year, or approximately \$2.1 million. As a pilot program under the RTT-ELC, social-emotional consultants were assigned to a limited number of communities at a cost of \$2.8 million per year. Statewide expansion would cost \$4.5 million.

Ensure that child care providers do not solely bear the financial burden of new health and safety requirements. The 2014 reauthorization of the CCDBG increased health and safety requirements for child care settings, including an expansion of fingerprinting of providers and adults with access to children in care. Michigan has invested \$5.5 million to cover fingerprinting costs this year, but it will be important to ensure that sufficient funding is available moving forward. The cost of fingerprinting is between \$50 and \$62 per person (with the lower rate negotiated because of state payment), which would be prohibitive for many child care providers.

ENDNOTES

1. *Parents and the High Cost of Child Care*, Child Care Aware of America (2017).
2. Schulman, K., and Blank, H. *Persistent Gaps: State Child Care Assistance Policies 2017*, National Women's Law Center (October 2017).
3. *Using Contracts and Grants to Build the Supply of High Quality Child Care: State Strategies and Practices*, National Center on Child Care Subsidy Innovation and Accountability, and the State Capacity Center, Office of Child Care.

